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Reuters

Personal Finance: Mind your step in the mortgage market

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(Linda Stern is a freelance writer. Any opinions in the column are hers. You can follow Linda Stern's financial notes on Twitter at <http://www.twitter.com/lindastern>)

By Linda Stern

WASHINGTON(Reuters) - Not everyone can get the special "VIP" deal on a mortgage that Senate Banking Committee Chairman Christopher Dodd, D-Connecticut, and Sen. Kent Conrad, D-North Dakota, allegedly received. They got below-market rates on their Countrywide loans, according to recent testimony from a former Countrywide Financial executive.

But for the rest of us, the mortgage market remains troubled, and not all of the problems stem from old, risky loans. Would-be homebuyers and refinancers are finding some loans hard to find, errors in their loan documents, and high, hidden closing costs that pop up when they go to settlement.

Here's an overview of what's going on and how to protect yourself in that mortgage market now.

-- Big houses, big problems. If you are trying to sell (or buy) an expensive home, good luck! Loans for more than \$417,000 are considered jumbo loans. The big mortgage buyers -- Fannie Mae and Freddie Mac -- will buy some jumbo loans worth as much as \$729,750, depending on how expensive the local market is. But in costlier areas, many homes are worth much more than that. Some lenders are unwilling to go over those amounts at all, and when they do they require large downpayments, says Nicole Hall of Lendingtree.com (<http://www.lendingtree.com>).

Furthermore, Congress will have to act to extend that \$729,750 ceiling, or it will expire on December 31, leaving all loans over \$417,000 without solid backing from Fannie or Freddie. It has extended that limit before, so that is likely to happen again. Bottom line for people who live in very expensive areas? Expect to have to hunt further for a new loan, and expect it to take longer to sell your home.

-- Mistakes and problems. Almost every mortgage made during the big bubble has missing paperwork or other mistakes that violate the Truth in Lending Act, according to Sylvia Alayon,

http://www.forbes.com/feeds/reuters/2009/07/29/2009-07-29T163321Z_01_N29403278_RTRIDST_0_COLUMN-PERSONALFINANCE-SCHEDULED-WEEKLY-COLUMN.html

vice president of operations for the Consumer Mortgage Audit Center (<http://www.truthinaudits.com>), a company that audits existing mortgages for errors.

Many of those problems continue. Be on the lookout, in particular, for what Alayon calls "bad 'good-faith' estimates." Lenders are required to offer good-faith estimates of all costs associated with the mortgage, including an estimated annual percentage rate that includes all costs associated with the loan and is supposed to allow mortgage shoppers to compare loans. But many lenders have low-balled these disclosures. When the borrower gets to the actual closing on the loan, and gets the final documents, the actual amounts are higher than on the estimating document. Don't sign if that's the case, she says. Hold up the process and demand to speak to a higher-up person at the mortgage company.

You do have recourse once you've signed the documents and closed on the loan. If you feel like you've been overcharged, you can contact your state attorney general's office and the Federal Trade Commission, which polices truth-in-lending rules.

Alayon tells borrowers to compare the HUD-1 document, which they will get at settlement and which outlines the loan's costs, with the good-faith estimate they received. "If the figures on your HUD-1 and your good-faith estimate look different, it may be time to call an attorney." Many new mortgage-auditing companies have sprung up in response to the mortgage meltdown, so if you suspect problems with your loan, you may want to get a third party to look at it. One company that has been in the business for decades is LoanTech (<http://www.loantech.com>.)

-- Closing-cost crunches. It costs a lot of money to borrow money -- anywhere from 2 percent of the loan to 6 percent of the loan in myriad taxes, nuisance fees (like photocopying charges) and services such as appraisals and title searches. You can negotiate away some of the nuisance fees, and get competitive estimates for some of the services. A few websites that allow comparison shopping for some closing costs are Closing.com (<http://www.closing.com>), Title Wizard (<http://www.titlewizard.com>), which is specific to California, and LendingTree, (<http://www.lendingtree.com/mortgage-loans/loan-coach>), which offers a comparison tool called lookB4yoUlock.

(editing by Gunna Dickson)

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